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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

SANDRA LUCILLE CRIST; SANMAR &
ASSOCIATES, INC.; and ROBERT XAVIER
AYER
(Respondents)

SDO - 01 - 10
FINAL ORDER TO CEASE AND DESIST
Case # 97-03-171

THE STATE OF WASHINGTON TO: Sandra Lucille Crist, SanMar & Associates, Inc.
and Robert Xavier Ayer

On October 25, 2000, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist, SDO-99-00, against Sandra Lucille Crist, SanMar & Associates, Inc., and Robert Xavier Ayer. The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing and an Application for Adjudicative Hearing, were personally served upon Sandra Lucille Crist on November 21, 2000. The same documents were also served by mail upon John Lowery, an attorney with Riddell Williams, who accepted service of the documents on behalf of Robert Xavier Ayer on January 4, 2001.

The Notice of Opportunity to Defend and Opportunity for Hearing advised each of the Respondents that they had twenty days from the date that each Respondent received the notice in which to file a written application for an administrative hearing. Because each of the Respondents failed to request a hearing within the twenty-day time period, the Securities Administrator will therefore adopt as final the findings of fact and conclusions of law that were set forth in the Summary Order to Cease and Desist.

The Securities Administrator now finds as follows:

FINAL ORDER TO CEASE AND DESIST

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FINDINGS OF FACT

I. Offer and Sale of Investments to Finance “Hard Money” Lending

A. Respondents

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1. **SanMar & Associates, Inc. (SanMar)** was a Washington for-profit corporation that was incorporated on August 22, 1991 and administratively dissolved on November 23, 1998. SanMar was in the business of “hard money” lending, loaning money to borrowers that are unable to qualify for conventional bank financing, but may be able to provide a security interest against real property in exchange for a high-interest loan. The loans were ostensibly to be used for business purposes, such as real estate development.

2. **Sandra Lucille Crist (Crist)** is a Washington resident. Crist was also president of SanMar. Crist and SanMar have raised money from Washington investors to finance their “hard money” lending business without disclosing the risks of the investments.

B. Offer and Sale of Investments

From at least 1992 through 1999, Crist and SanMar have offered and sold more than \$2 million worth of investments to at least 35 investors, many of whom are Washington residents. Some of the investors are elderly persons who have invested significant portions of their savings with Crist. Some of the investors have borrowed money on credit cards in order to finance their investments. Most, if not all, of the investors are passive investors who are relying upon Crist and perhaps others to generate a return on their investments.

To evidence their investments, Crist and SanMar gave the investors promissory notes issued by Crist and/or SanMar with interest rates ranging from at least 12% to 24% annual interest. Most of the notes are short-term, from one-month to six-month notes.

Crist and SanMar represented that the investors’ funds would be used to finance business loans to third parties (“hard money” lending) and that some of the funds would be pooled together. In some cases, Crist and SanMar failed to identify the purported borrowers. They failed to give the investors financial statements or credit information for the purported borrowers. They failed to identify how the investors’ funds would be used and the source of repayment for the investments. In some

1 cases, Crist has told investors that their investments were used for housing development projects in Guam, even though the
2 investors never authorized Crist or SanMar to use their funds for that purpose.

3 When offering and selling the investments, Crist and SanMar failed to disclose their business operating history,
4 lending guidelines, loan default rate and delinquent loan balances. They failed to give the investors financial statements for
5 Crist or SanMar. They failed to disclose that Crist and SanMar are the subject of numerous lawsuits filed in King County and
6 Snohomish County and that Crist and SanMar have been subject to civil judgments totaling more than \$1 million.

7 Crist and SanMar represented to many of the investors that their investments would be secured by real property.
8 In many cases, Crist and SanMar failed to disclose the value of the purported security. In some cases, Crist and SanMar
9 failed to perfect any security interest in favor of the investors. In at least one case, Crist falsely represented that an
10 investment would be secured by a first-position deed of trust against real property that was already encumbered by other
11 deeds of trust.

12 **II. Offer and Sale of Fictitious Bank Debentures**

13 **A. Respondents**

- 14 1. **Sandra Lucille Crist (Crist)**, who is described above
- 15 2. **Robert Xavier Ayer (Ayer)**, who resides in Everett, Washington

16 **B. Offer and Sale of Investments**

17 During 1999, Crist and Ayer have offered and sold more than \$80,000 worth of investments to at least six
18 Washington residents. The investments were supposed to be used for the purchase of bank debentures, which were
19 supposed to be issued by the Bank of Montreal. The investors' funds were supposed to be pooled and held in an escrow
20 account. Money was then supposed to be loaned to developing countries, but the investors' funds were never supposed to
21 leave the Bank of Montreal.

22 The investors were supposed to earn returns of 3% per month, except during the months of July and December,
23 when banks supposedly do not write checks. The investors had no control over their invested funds and were relying
24 upon other persons to generate the return on their investments.

1 When offering and selling the investments, Ayer and Crist each falsely represented to investors that the
2 investments had no risk. Ayer and Crist each failed to give the investors financial statements for the issuer of the
3 investments. They each failed to identify exactly how the investors' funds would be used and the source of repayment for
4 the investments. They each failed to disclose that, in fact, there were no Canadian banks offering debentures with 30%
5 annual interest and no risk to investors.

6 **III. Investment Registration Status**

7 The offering of the investments described in Paragraphs I and II were never registered for sale in the State of
8 Washington.

9 **IV. Salesperson Registration Status**

10 Crist, SanMar and Ayer have never been registered as a securities salesperson or broker-dealer in the State of
11 Washington.

12 Based upon the above Findings of Fact, the Securities Administrator now makes the following
13 Conclusions of Law:

14 **CONCLUSIONS OF LAW**

15 **I. Offer and Sale of a Security**

16 The offer and sale of the investments described in paragraph I of the Tentative Findings of Fact constitute
17 the offer and sale of a security, as defined in RCW 21.20.005(10) and (12), whether in the form of an investment
18 contract, note, evidence of indebtedness, or investment in the risk capital of a venture where the investor does not
19 receive the right to exercise practical and actual control over the managerial decisions of the venture.

20 The offer and sale of the investments described in paragraph II of the Tentative Findings of Fact constitute
21 the offer and sale of a security, as defined in RCW 21.20.005(10) and (12), whether in the form of a debenture,
22 investment contract, evidence of indebtedness or investment in the risk capital of a venture where the investor does
23 not receive the right to exercise practical and actual control over the managerial decisions of the venture.

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25 FINAL ORDER TO CEASE AND DESIST

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II. Violation of RCW 21.20.140, Securities Registration Provisions

The offer and sale of the securities described in paragraph I of the Conclusions of Law is in violation of RCW 21.20.140 because no registration for such offer or sale is on file with the Washington Securities Administrator.

III. Violation of RCW 21.20.040, Securities Broker-Dealer and Salesperson Registration Provisions

Crist, SanMar and Ayer have each violated RCW 21.20.040 by offering and selling the securities described in paragraph I of the Conclusions of Law while not registered as a securities salesperson or broker-dealer in the State of Washington.

IV. Violation of RCW 21.20.010, Securities Anti-Fraud Provisions

Crist's and SanMar's offers and sales of the securities described in paragraph I of the Tentative Findings of Fact were made in violation of RCW 21.20.010 because, in connection with the offer and sale of the securities, Crist and SanMar engaged in an act, practice or course of business that operated as a fraud on investors and because Crist and SanMar each made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made not misleading.

Crist's and Ayer's offers and sales of the securities described in paragraph II of the Tentative Findings of Fact was made in violation of RCW 21.20.010 because, in connection with the offer and sale of the securities, Crist and Ayer engaged in an act, practice or course of business that operated as a fraud on investors and because Crist and Ayer each made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made not misleading.

ORDER TO CEASE AND DESIST

Based upon the foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED that Sandra Lucille Crist, SanMar & Associates, Inc. and Robert Xavier Ayer, and their employees, agents and representatives, shall each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the securities registration provisions of the Securities Act of Washington.

1 It is further ORDERED that Sandra Lucille Crist, SanMar & Associates, Inc. and Robert Xavier Ayer, and
2 their employees, agents and representatives, shall each cease and desist from violations of RCW 21.20.040, the
3 broker/dealer and securities salesperson registration provisions of the Securities Act.

4 It is further ORDERED that Sandra Lucille Crist, SanMar & Associates, Inc. and Robert Xavier Ayer, and
5 their employees, agents and representatives, shall each cease and desist from violation of RCW 21.20.010, the anti-
6 fraud section of the Securities Act.

7 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

8 DATED this 21st day of February, 2001.

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11 DEBORAH R. BORTNER
12 Securities Administrator

13 Approved by:

Presented by:

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15 _____
16 Michael E. Stevenson
17 Chief of Enforcement

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19 _____
20 Janet So
21 Securities Examiner

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25 FINAL ORDER TO CEASE AND DESIST